

**PSC DETERMINES GTE MIDWEST MEETS STANDARD  
FOR PRICE CAP REGULATION**

Jefferson City (February 8, 1999)---Based upon a thorough review of current state law as well as evidence presented in the case, the Missouri Public Service Commission has determined that GTE Midwest Incorporated (GTE) meets the standard to become price cap regulated in Missouri.

The application of price cap regulation will not exempt a company so regulated from the jurisdiction and oversight of the Public Service Commission.

Under price cap regulation, GTE's current rates (those in effect as of December 31, 1998) are the maximum rates GTE can charge until January 1, 2000. After that date, prices may increase or decrease according to two relatively conservative government price indexes, which are based on prices of telephone services throughout the country. This standard should cause rate levels to remain affordable.

In reaching its decision, the Commission closely examined Senate Bill 507 which was passed by the Missouri General Assembly and signed into law by Governor Mel Carnahan in 1996.

Senate Bill 507 is designed to permit flexible regulation of competitive telecommunications companies while ensuring customers pay reasonable charges for their services. The designed effect of the law is to promote a competitive marketplace which should ultimately result in reduced rates, better service quality, more options for consumers, and a more progressive business environment for the state.

Under Section 392.245.2 of Missouri law, contained in Senate Bill 507, a large telephone company such as GTE is eligible for price cap regulation when it has been determined by the Public Service Commission that an alternative local exchange telecommunications company has been certified to provide basic local telecommunications service and is providing that service in any part of the large incumbent telephone company's service area.

On May 19, 1998, Mark Twain Communications Corporation (Mark Twain) was certified to provide basic local telecommunications service within GTE exchanges in Missouri. On June 16 the Commission approved an interconnection agreement between GTE and Mark Twain. On April 29

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Mark Twain filed tariffs with the Commission for providing basic local telephone service in GTE's exchanges. Those tariffs were approved on July 23.

Mark Twain is now (and has been since July 28, 1998) providing basic local telecommunications service in GTE's Lewiston and LaBelle exchanges.

Granting price cap regulation if certain standards are achieved is part of the overall telecommunications bill to promote local telephone competition in Missouri.

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Case No. TO-99-294